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SUBJECT: NEPAL PARLIAMENT PROCEEDINGS RESUME

Classified By: Ambassador Nancy J. Powell. Reasons 1.4 (b/d)

#### Summary

11. (C) On July 6, with the mid-July budget deadline looming, the Maoists reached agreement with the Nepali Congress (NC) and the Communist Party of Nepal - United Marxist Leninist (UML) to end their two-month obstruction of the Parliament and allow the budget to be presented.

#### Deal Struck

12. (C) In the deal, which according to Embassy sources was struck between former Prime Minister G.P. Koirala (NC) and former Prime Minister Pushpa Dahal (Maoist), it was provided that the Dahal and Prime Minister Madhav Nepal (UML) would both address the Constituent Assembly (CA). Prime Minister Nepal agreed to take the initiative to deal with the Maoist demand for "civilian supremacy" -- that is the issue of President Yadav's allegedly unconstitutional reinstatement of Chief of Army Staff Rookmangud Katawal -- within a month. The Maoists further agreed to allow the winter session to be concluded (prorogued) and the new budget session called. (Note: The fiscal year ends on July 15, and the budget should be presented before then.)

#### Maoist Stance

13. (C) In his nearly two-hour-long speech on July 6 to the Assembly, Dahal defended his party's obstruction of the CA since his government fell in early May and sharply criticized the UML-led government. He announced his support for Koirala's proposal of a high-level political mechanism to take the peace process forward and said the discharge of minors and disqualified from Maoist cantonments would start from July 7.

#### Government's Response

14. (C) In his speech immediately afterward, PM Nepal defended his government against the Maoist accusation that it lacked public support, citing the 359 votes he received in the 601-member CA when he was elected on May 23. In

addition, he affirmed his commitment to civilian supremacy and political consensus. Chairman Nemwang read out letters from the President regarding the cabinet and then prorogued the session. The budget session is scheduled to begin July 18.

Comment  
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15. (C) International and, more importantly, domestic pressure, appears to have finally compelled the parties to reach a deal to end Nepal's political impasse. Former PM Dahal portrayed the Maoists' decision to allow the Parliament to resume as a step to prevent conspiracies by "reactionary forces" and to save the peace and constitution-drafting processes. However, it was clear from the vitriol he leveled at the current government that he took this step reluctantly.

The UML and NC allowed him and his party to save some face by agreeing within a month to address the issue of civilian supremacy, but Dahal has little else to show for the two-month obstruction. He also warned that his party would unleash a "hurricane" if the issue of civilian supremacy was not addressed properly within the time frame. The political wrangling is far from over.  
POWELL